

b) Distributing Frames

AT&T/WorldCom apparently assume that all MDFs in Verizon VA's territory are Low Profile Distribution Frames (LPDF) or COSMIC-type frames.^{218/} (See AT&T/WCom Ex. 2 at 34; AT&T/WCom Ex. 21 at 48.) They assert that such frames allow for the use of a single short "jumper" to perform a cross-connect and accordingly require short central office wiring times. Again, however, this assumption ignores operational realities. As an initial matter, Verizon VA does not widely use such frames; Verizon VA has found that in general, COSMIC-type frames are not operationally effective or cost-efficient. (See VZ-VA Ex. 124 at 34.) Ironically, even if they *were* widely used, the frames that AT&T/WorldCom envision would *not* lower the cost of provisioning UNEs. These frames require careful administration and control over the assignment of ports on the block terminating the switch (or the collocation equipment) so that the assigned port is always close to the customer's cable pair — administration that is impractical in a multi-LEC environment because the CLEC blindly chooses a port location without knowing the location of the customer's cable pair. (See VZ-VA Ex. 124 at 33-38.) Thus, AT&T/WorldCom's assumption of the ubiquitous deployment of LPDF or COSMIC-type frames offers no justification for their extremely short central office wiring times.

3. Field Installation

Verizon VA's non-recurring model appropriately accounts for the costs incurred by dispatching a field technician to perform cross-connects at the feeder distribution or serving area interface. As noted above, Verizon VA's model assesses field installation charges on a CLEC

^{218/} Notwithstanding their testimony, AT&T/WorldCom appear to be somewhat confused about their own model's assumptions. In discovery, when asked whether their model assumes that all MDFs are low-profile or COSMIC-type frames, AT&T/WorldCom simply responded "[n]o." (See VZ-VA Ex. 116, Attachment B.)

only when a field dispatch is required to fulfill the specific CLEC order. (*See* VZ-VA Ex. 116 at 43, 45.) AT&T/WorldCom do not deny that Verizon VA will sometimes need to dispatch a field technician to fulfill an order, but, based on nothing more than a “modeling convention” that they admit has nothing to do with the operation of a real-world carrier, insist that the costs for such dispatches be recovered through recurring charges.^{219/}

Petitioners posit that the cross-connect at the feeder distribution interface is a dedicated part of the loop like the NID and drop that, once placed, is never removed. In other words, Petitioners assume 100% dedicated outside plant such that once a distribution pair terminated on the field side of the feeder distribution interface has been assigned to a premise, it will remain permanently cross-wired to a specific feeder pair terminated on the central office side of the interface. But, as Verizon VA has explained, that is not “the way an efficient plant is constructed.” (Tr. at 4863.) Rather, an efficient network is designed to flexibly permit cross-connects between distribution and feeder facilities to be moved and rearranged in response to orders and service changes (*e.g.*, disconnecting a cross-connect to free up a needed feeder facility when the premise served by a given distribution cable has remained vacant for a long period of time). (*See* VZ-VA Ex. 116 at 39-45.) Dedicating a feeder pair to each distribution pair would drastically increase the amount of feeder cable needed and therefore increase recurring costs — costs for which Petitioners do not account. Petitioners’ own witnesses conceded that they could not identify any carrier that actually employs 100% Dedicated Outside Plant (Tr. at 4667) and

^{219/} AT&T/WorldCom also suggest that Verizon VA has overstated the amount of work performed by the field installation work group. Yet their criticisms assume an idealized job in which the technician has to visit only a single location per job in the field and encounters no difficulty or roadblock requiring additional work. Such an approach, however, fails to account for the real-world situations a field technician will face, conditions that are captured in Verizon’s survey of workers who actually engage in or supervise field work. (*See* VZ-VA Ex. 124 at 97-99.)

that this was “not an assumption about what physically is taking place in the carrier’s network” (Tr. at 4667-68.) But a model cannot accurately estimate the costs of providing UNEs if it simply ignores how an efficient carrier provides such elements in favor of hypothetical modeling conventions.

Because cross-connects are not permanently placed as part of the loop, Verizon VA appropriately seeks to recover the cost of fieldwork to place a cross-connect when such work is triggered by a CLEC order. (Tr. at 4803.) Verizon VA incurs this cost on a non-recurring basis and does not recover that cost through recurring charges. As discussed above, in these circumstances, the CLECs accordingly should pay a non-recurring charge for the required work.

VII. VERIZON VA’S COSTS RELATED TO XDSL-COMPATIBLE LOOPS, LINE SHARING, AND LINE SPLITTING.

Verizon VA has submitted detailed and fully supported cost studies establishing the recurring and non-recurring costs it incurs in providing CLECs with xDSL-compatible loops, line splitting, and line sharing. By contrast, AT&T/WorldCom submitted *no* studies with respect to the costs of these activities. Instead, they rely on assertions that certain costs should not be recovered or should be picked up in general expense factors in some unspecified manner, or they make isolated criticisms of Verizon VA’s studies. In both cases, AT&T/WorldCom’s arguments are unavailing, and the Commission should approve the rates produced by Verizon VA’s studies.

A. Verizon VA’s Line Conditioning Costs Are Consistent with Prior Commission Decisions and Should Be Approved.

Verizon VA proposes recovery of costs for line conditioning through a non-recurring charge if — and only if — a CLEC requests conditioning that exceeds Verizon’s network design

standards.^{220/} In particular, where load coils are present on copper loops longer than 18,000 feet, the load coils generally cannot be removed because they are necessary for the circuits to function at voice grade standards. (VZ-VA Ex. 107 at 126-27; Tr. at 4994.) Verizon VA does not condition such loops for itself, but it will do so in the relatively rare case that a CLEC requests it. Similarly, because xDSL technologies are generally designed to operate with up to 6,000 feet of bridged tap, if a CLEC requests that Verizon remove bridged tap less than 6,000 feet, it will incur a charge for that special work. (Tr. at 5000, 5027-28.) The limited line conditioning charges Verizon VA proposes are consistent with economic principles and past precedent and should be approved.

1. Loop Conditioning Costs Should Be Recovered Through Non-Recurring Charges.

AT&T/WorldCom's arguments that Verizon VA should not be allowed to recover its costs for loop conditioning, or, in the alternative, that such costs should be recovered on a recurring basis (AT&T/WCom Ex. 2 at 26), contravene both this Commission's rulings and principles of cost causation. In a series of decisions, this Commission has repeatedly confirmed that incumbent LECs such as Verizon are entitled to recover the costs of conditioning loops at CLECs' request.^{221/} Just recently, the Commission reaffirmed to the Supreme Court that its "express . . .

^{220/} This issue is discussed at pages 138-42 of VZ-VA Ex. 107; pages 60-64 of VZ-VA Ex. 116; and 130-43 of VZ-VA Ex. 124.

^{221/} See *Local Competition Order* at 15692 ¶ 382 ("Some modification of incumbent LEC facilities, such as loop conditioning, is encompassed within the duty imposed by section 251(c)(3). *The requesting carrier would, however, bear the cost of compensating the incumbent LEC for such conditioning.*") (emphasis added); Third Report and Order, *Deployment of Wireline Services Offering Advanced Telecommunications Capability*, 14 FCC Rcd 20912 ¶ 82 (1999) ("Line Sharing Order"); *id.* at ¶ 87 ("[W]e conclude that incumbent LECs should be able to charge for conditioning loops when competitors request the high frequency portion of the loop."); *UNE Remand Order* at 3784 ¶¶ 192-93 ("We agree that networks built today normally

directions” make clear that incumbent LECs are not required to condition loops for advanced services “for free.”^{222/} Numerous state commissions, including those in Pennsylvania, North Carolina, Michigan, Illinois, Maine, Washington, Minnesota, New York, and Missouri, have agreed and approved the imposition of loop conditioning charges.^{223/}

AT&T/WorldCom’s assertion that loop conditioning costs should be recovered through recurring charges is similarly incorrect. This Commission has made clear that “the costs

should not require voice-transmission enhancing devices on loops of 18,000 feet or shorter. Nevertheless, the devices are sometimes present on such loops, and the incumbent LEC may incur costs in removing them. *Thus, under our rules, the incumbent should be able to charge for conditioning such loops.*”) (emphasis added); *New York § 271 Order* at ¶ 259.

Indeed, in the *UNE Remand Order*, the Commission not only upheld the recoverability of loop conditioning costs, but also went further and ruled that load coil removal costs would be recoverable even where load coil placement would not be called for under current network standards. *See UNE Remand Order* at 3784 ¶¶ 192-93; *Line Sharing Order* at ¶ 82; *see also* VZ-VA Ex. 107 at 138-39; VZ-VA Ex. 116 at 60-61.

^{222/} FCC Reply Brief at 10 n.7. The Commission also has recognized the substantial costs that incumbent LECs must incur, noting that loop conditioning “can be expensive.” *Line Sharing Order* at ¶ 8 n.9.

^{223/} *See Pennsylvania § 271 Order; Recommended Order Concerning all Phase I and Phase II Issues Excluding Geographic Deaveraging, Permanent Pricing for Unbundled Network Elements*, Docket NO. P-100 Sub 133d, 2001 WL 811182, at *24 (N. Carolina Util. Comm’n June 7, 2001) (“*North Carolina Order*”); *Opinion and Order, Ameritech Michigan*, Case No. U-12540, 2001 WL 306699, at *9 (Mich. Pub. Serv. Comm’n Mar. 7, 2001); *Order, Illinois Commerce Commission on its Own Motion v. Illinois Bell Telephone Co. Investigation of Construction Charges*, Docket No. 99-0593, 2000 Ill. PUC Lexis 654, at *157 (Ill. Commerce Comm’n 2000) (“*Illinois Order*”); *Order (Part 1 Issues E3 & E7) (Final Order for all Other Issues), Mid-Maine Telplus Request for Arbitration*, Docket Nos. 98-593 & 98-806, at 27 (Me. Pub. Util. Comm’n Mar. 25, 1999); 17th Supplemental Order, Interim Order Determining Prices; Notice of Pre-hearing Conference, Docket Nos. UT-960370 & UT-960371, at 132 (Wash. Utils. and Transp. Comm’n Sept. 23, 1999); *Consolidated Petitions of AT&T Communications of the Midwest, Inc. et al.*, Docket. Nos. P-442, 421, *et. al.*, 1997 Minn. PUC LEXIS 49, *115 (Minn. Pub. Util. Comm’n Mar. 17, 1997); *Opinion and Order Concerning DSL Charges* at 41, 1999 NY PUC LEXIS 759, at *65-*66; *Arbitration Order, Petition of Dieca Communications Inc.*, Case No. TO-2000-322, 2000 Mo. PUC LEXIS 260, *17 (Mo. Pub. Serv. Comm’n Mar. 23, 2000). (*See generally* VZ-VA NRC Rebuttal at 61-62; VZ-VA NRC Surrebuttal at 134 & n.90.)

incumbents impose on competitors for line conditioning are [to be] in compliance with [its] pricing rules *for non-recurring costs*.”^{224/} There is simply no basis to revisit that express conclusion here.

2. AT&T/WorldCom’s Challenges to the Amount of Verizon VA’s Conditioning Charges Are Baseless.

As with other non-recurring costs, Verizon VA developed its costs for loop conditioning based on a survey of personnel experienced in performing and supervising this work. (VZ-VZ Ex. 107 at 140.) AT&T/WorldCom, by contrast, have not submitted any cost study with respect to loop conditioning tasks. (Tr. at 4979-80.) Instead, they offer unrealistic time estimates based solely on the unsubstantiated opinions of two consultants who regularly testify against ILECs on behalf of AT&T/WorldCom but do not perform conditioning tasks themselves. (*See* AT&T/WCom Ex. 13, Attachment 1; VZ-VA Ex. 124, Attachment F.)

AT&T/WorldCom’s consultants grossly understated loop conditioning costs by eliminating necessary work steps, underestimating the time for the work steps they chose to include, and generally failing to appreciate the conditions under which these activities are performed in the real world. (*See* VZ-VA Ex. 124 at 138-40.) For example, for all conditioning activities, they either failed to include or understated the time to (1) receive orders; (2) process orders in Verizon VA’s databases; and (3) close out orders and send them to engineering. They also disregarded the OSHA-mandated requirements for work area protection and the time it takes to erect and disassemble such protection properly (VZ-VA Ex. 124 at 139.) In short,

^{224/} *UNE Remand Order* at ¶ 194 (emphasis added); *New York § 271 Order* at ¶ 254 (“The costs incumbents impose on competitors for line conditioning . . . are non-recurring charges”); *see also North Carolina Order* at *24 (“The Commission agrees . . . that the ILECs should be allowed to impose non-recurring charges for conditioning loops.”).

AT&T/WorldCom's suggested work times for conditioning activities are undocumented and divorced from reality and cannot possibly account for the critical actions associated with these activities.

AT&T/WorldCom's contention that Verizon VA should reduce incremental conditioning costs by conditioning loops in batches of 25 or 50 loops whenever a CLEC requests the conditioning of a *single* loop (AT&T/WCom Ex. 13 at 149) also is without merit. As an initial matter, even if it were possible, AT&T/WorldCom's proposal would degrade the quality of service available on Verizon VA's network. (See VZ-VA Ex. 124 at 136; Tr. at 4995-96, 5016-17.)^{225/} Such conditioning would render the 24 or 49 unnecessarily conditioned loops useless for voice service (unless Verizon VA then turned around and re-installed bridged taps or load coils) — without any expectation, let alone guarantee, that those newly conditioned loops would ever be needed for data services. (VZ-VA Ex. 107 at 136-40; VZ-VA Ex. 116 at 63.) But more fundamentally, AT&T/WorldCom's simplistic assumptions about the availability of batches of spare pairs for conditioning are simply incorrect. (VZ-VA Ex. 107 at 138-39.) For example, Verizon VA witness John White testified that, having studied a large sample of loaded pairs in Virginia, he had found an average of only five spare pairs per 25-pair complement. (Tr. at 4994-

^{225/} State commissions have recognized this reality. For instance, the North Carolina Utility Commission recently concluded that "it would not be prudent to remove load coils from such long loops, other than the loop over which advanced services, *i.e.*, xDSL services, have been requested." See *North Carolina Order* at *33. Likewise, the Connecticut Department of Public Utility Control concluded that, if loops were conditioned in batches rather than in response to specific requests, "efficiency would decrease, because customers using Telco service for only voice transmission would experience a decline in the quality of service offered." Decision, *DPUC Review of SNET's Studies of UNE Non-recurring Charges*, Dkt. No. 00-03-19, 2000 Conn. PUC LEXIS 187, at *60 (Conn. Dep't Pub. Util. Control June 29, 2000).

95.)^{226/} Therefore, conditioning in 25-pair batches would rarely be possible. Moreover, even if Verizon VA were to rearrange binder groups to consolidate the spares for batch conditioning, as AT&T/WorldCom then suggested, it would destroy all the spare capacity for voice service at that distance and accordingly constrain Verizon VA's options for meeting future demand for voice services in that area. (Tr. at 5006-5007.)

Petitioners' fantasy assumption of batch conditioning also would unreasonably shift significant costs to Verizon VA. They propose that a CLEC pay a non-recurring charge that recovers only the prorated cost of one conditioned loop — that is, 1/25th the cost of deloading a 25-pair complement or 1/50th the cost of removing bridged taps from a 50-pair complement. (Tr. at 4981-82.) Although they vaguely suggest that the remaining costs might somehow be recovered through recurring charges (Tr. at 4982-83), that would improperly force Verizon and carriers other than the CLEC that requested the conditioning, to pay the majority of the costs for conditioning that they have not requested, would not request themselves, and do not consider necessary for their own service offerings. At bottom, AT&T/WorldCom's proposal requires unnecessary and wasteful work that will degrade voice quality, simply so Petitioners can pay less than it costs Verizon VA to condition a loop at their request. That is a manifestly inappropriate solution.

^{226/} Mr. Riolo conversely admitted that he had performed *no* study of Verizon's network in Virginia to determine the frequency with which loaded pairs appear in complements of 25 or more. (Tr. at 4989.)

B. Verizon VA's Loop Qualification Charges Are Appropriate and Should Be Approved.

Verizon VA offers three services in connection with loop qualification.^{227/} The primary means by which CLECs obtain loop qualification information is by submitting queries to Verizon VA's automated loop qualification database (the "Database"). (VZ-VA Ex. 107 at 127.)^{228/} The costs associated with this mechanized qualification process are recovered through a recurring charge on each xDSL-compatible loop or line sharing or splitting arrangement.^{229/} (VZ-VA Ex. 107 at 132-34.) As of July 31, 2001, information for loops in 102 of the 105 Verizon VA wire centers in which CLECs are collocated, representing more than 99% of all the loops in wire centers with collocation, was included in the Database.^{230/} (VZ-VA Ex. 107 at

^{227/} This issue is discussed in VZ-VA Ex. 107 at 136-37, VZ-VA Ex. 116 at 54-60; and VZ-VA Ex. 124 at 144-54.

^{228/} A requesting CLEC also can electronically request and receive certain qualification information contained in Verizon VA's Loop Facility Assignment and Control System (LFACS) database. (VZ-VA Ex. 116 at 55.) In fact, in October 2001, Verizon implemented an enhancement to its OSS that provides CLECs with electronic access to loop make-up information (including cable segment lengths and gauges, bridged tap lengths, gauges and locations, load coil locations, and DLC system types) as that information currently exists in the LFACS database. (VZ-VA Ex. 124 at 149-50.) Verizon VA is not proposing any charge for such access at this time.

^{229/} AT&T/WorldCom's proposal that the Database costs be recovered through a per query charge would be impossible to implement and would leave Verizon VA with little recovery of the substantial investment it has been required to make. Verizon VA cannot automatically track how many times any CLEC uses the loop qualification database. Moreover, Verizon VA has permitted CLECs to order an extract of the entire loop qualification database, thereby allowing CLECs to access information without needing to access Verizon VA's system. Verizon VA has no way of determining how many times such CLECs access loop qualification information. (VZ-VA Ex. 124. at 152.)

^{230/} Should a CLEC seek to prequalify one of the miniscule number of loops that have not been populated in the Database, Verizon VA will provide such information through manual loop qualification, but will not impose the non-recurring charge for that process. (See VZ-VA Ex. 116 at 57-58; VZ-VA Ex. 124 at 153).

130.) In order to provide CLECs with additional information not included in the Database, Verizon offers two other options, subject to non-recurring charges: Manual Loop Qualification and Engineering Query. (VZ-VA Ex. 107 at 136-37.) Petitioners offer no valid reason to reject Verizon VA's costs for these services.

AT&T/WorldCom's primary argument is that incumbent LECs must provide requesting carriers automated access to all available information regarding loop qualification through an automated database. (*See, e.g.*, AT&T/WCom Ex. 8 at 39.) But that is both unrealistic and inconsistent with the Commission's rulings. As required by the Commission, Verizon VA "provide[s] requesting carriers the same underlying information that the incumbent LEC has in any of its own databases or other internal records."^{231/} The Commission has specifically rejected a CLEC's "unqualified request that the Commission require incumbent LECs to catalogue, inventory, and make available to competitors loop qualification information through automated OSS even when it has no such information available to itself."^{232/} The Commission explained:

If an incumbent LEC has not compiled such information for itself, *we do not require the incumbent to conduct a plant inventory and construct a database on behalf of requesting carriers.* We find, however, that an incumbent LEC that has manual access to this sort of information for itself, or any affiliate, must also provide access to it to a requesting competitor on a non-discriminatory basis. In addition, we expect that incumbent LECs will be updating their electronic database for their own xDSL deployment and, to the extent their employees have access to the information in an electronic format, that same format should be made available to new entrants via an electronic interface.^{233/}

^{231/} *UNE Remand Order* at 3885 ¶¶ 427-428.

^{232/} *Id.* at 3886 ¶ 429.

^{233/} *UNE Remand Order* at 3886 ¶ 429 (footnotes omitted) (emphasis added).

Verizon VA complies fully with the Commission's ruling in this respect. Indeed, the Commission has reviewed Verizon's loop qualification processes several times — in connection with Verizon's section 271 applications in New York, Massachusetts, Connecticut and Pennsylvania — and has repeatedly rejected the very arguments made here and concluded that Verizon's processes comply with the requirements of the Telecommunications Act.^{234/}

In any event, assembling a database with full loop make-up information for all of Verizon VA's loops as AT&T/WorldCom propose would be a massive and cost-prohibitive effort. (VZ-VA Ex. 116 at 58.) Completely mechanizing the loop qualification process would require review of detailed information for each of millions of loops, and would result in much higher database costs for all carriers (VZ-VA Ex. 116 at 58.) AT&T/WorldCom do not account for such costs in their model; they assume that fully automated systems magically appear, but account for no CLEC contribution to the costs of developing such systems.^{235/}

^{234/} See Memorandum and Order *In the Matter of Verizon New York, Inc., Verizon Long Distance, Verizon Enterprise Solutions, Verizon Global Networks Inc. and Verizon Select Services Inc., for Authorization to Provide in-Region, InterLATA services in CT* ("Connecticut") 16 FCC Rcd 14147 (rel. Jul. 20, 2001) ("Connecticut § 271 Order"); See *Pennsylvania § 271 Order*.

^{235/} AT&T/WorldCom also assert that Verizon VA's Database was developed for use with Verizon's own retail xDSL offering and therefore is insufficient to provide loop qualification to CLECs. (AT&T/WCom Ex. 13 at 155-58.) As the Commission has previously found, they are wrong. See *New York § 271 Order* at ¶ 143 (finding Bell Atlantic's mechanized and manual loop qualification processes sufficient where they allowed requesting carriers to access information "in substantially the same time and manner" as Bell Atlantic's retail operations. Though xDSL technologies and equipment vary, all xDSL technologies rely on the high frequency portion of the loop, and thus they all are affected by distance, presence of load coils and bridged taps, and interference from T-1 and other disturbances — the basic information that Verizon VA's Database provides. (VZ-VA Ex. 116 at 56.) Although the Database does provide a summary determination whether a loop is qualified by Verizon's standards, it also provides the underlying information on which that determination is based, as required by the Commission. (VZ-VA Ex. 116 at 56.; VZ-VA Ex. 124 at 146).

To the extent CLECs require additional information beyond what is available in the Database or Verizon's Loop Facility Assignment and Control System,^{236/} they can obtain that information through two manual loop qualification methods. In particular, the CLEC may request that Verizon VA engage in manual loop qualification for a particular loop, or a CLEC offering xDSL or related services that differ technically from Verizon retail services or that use different terminating electronics may want additional information and can request an engineering query. (VZ-VA Ex. 107 at 137; VZ-VA Ex. 116 at 55.) If a CLEC requests either or both of these optional processes, Verizon VA will impose the associated non-recurring charges, which recover costs for, among other things, performing tests on the loop and checking paper records. AT&T/WorldCom offer no reason to question the validity of these charges.

C. Verizon VA's Wideband Testing System Charge Should Be Approved.

Verizon VA also proposes a recurring charge, applied to line sharing and line splitting arrangements, to recover the cost of wideband testing system equipment purchased to ensure that the loop is capable of supporting the desired services and to isolate any problems to either the data or the voice layer.^{237/} (VZ-VA Ex. 107 at 150, 152.) Without this enhanced capability, Verizon VA (and CLECs) would incur greatly increased dispatch costs that would far outweigh the additional cost of the wideband testing system itself. (VZ-VA Ex. 107 at 150-51.) Accordingly, the charge is appropriate and should be mandatory for all CLECs that purchase line sharing or line splitting.

^{236/} As noted previously, in addition to the Database, CLECs also have access to LFACs, at no charge.

^{237/} This issue is discussed in VZ-VA Ex. 107 at 150-52 and VZ-VA Ex. 124 at 104-10.

AT&T/WorldCom initially argue that wideband testing and the associated charge should be optional to the CLEC. However, wideband testing is necessary to provide a fully functional xDSL-compatible loop to the CLEC. (VZ-VA Ex. 107 at 151; VZ-VA Ex. 124 at 104-07.) Even if a CLEC conducted testing and offered Verizon VA the results, that could not occur until after Verizon had provisioned the loop — too late to serve the very purpose for which Verizon VA does this testing. If Verizon VA is to be held accountable for service level quality, it is only fair that it be allowed to use its own testing system. Moreover, making wideband testing optional would considerably increase the monthly cost per line assessed on those CLECs that did choose such testing, because the wideband testing costs would be spread over fewer xDSL lines. As a result, those CLECs that want to ensure good service for their customers would be paying a much higher rate. (VZ-VA Ex. 124 at 106.)

AT&T/WorldCom's further suggestion that wideband testing costs be included in the ACFs (AT&T/WCom Ex. 13 at 110) would violate principles of cost causation. Such an approach would spread these costs over all products and services instead of just the cost-causing xDSL services. (VZ-VA Ex. 124 at 110.) As a result, purchasers of POTS loops would effectively subsidize testing that is unique to xDSL-compatible loops. In fact, because Verizon VA is not proposing at this time to allocate investments in the underlying loop to line sharing CLECs, little or no wideband testing costs would be recovered from the cost-causing line sharing CLEC under AT&T/WorldCom's proposal. By contrast, Verizon's approach of spreading total wideband testing costs over the expected number of lines used for xDSL-compatible loops, line

sharing, and line splitting more closely ties testing costs to the cost causers.^{238/} (VZ-VA Ex. 107 at 152.)

Finally, AT&T/WorldCom's contention that recovery of wideband testing costs should be denied unless Verizon VA provides CLECs with direct access to the system (AT&T/WCom Ex. 13 at 105) is meritless. Verizon VA provides to CLECs, upon request, the same test results that Verizon VA's wholesale technicians use. There is no reason to require Verizon VA to give CLECs direct control over Verizon VA's test equipment. Verizon VA does not turn over other kinds of network testing, maintenance and repair equipment to CLECs, and AT&T/WorldCom offer no reason to treat wideband testing differently. (VZ-VA Ex. 107 at 152.)

D. Verizon VA's Cooperative Testing Charge is Appropriate and Should Be Approved.

Verizon VA 's proposed a reasonable non-recurring charge for cooperative testing.^{239/} Such testing goes beyond the normal testing Verizon VA performs in conjunction with provisioning loops and is done only at the request of the CLECs, often with a Verizon technician working under the direction of the CLEC. (VZ-VA Ex. 107 at 144; VZ-VA Ex. 124 at 128.)

^{238/} AT&T/WorldCom's assertion that Verizon VA's wideband testing charge is an attempt to recover costs due to a supplier error (*see* AT&T/WCom Ex. 13 at 112-14) reflects a basic misunderstanding of such testing. The Alcatel refund on which Petitioner rely relates to the vendor's failure to integrate the wideband testing into the DSLAM that Verizon was then planning to use for *retail* DSL service. (VZ-VA Ex. 124 at 108.) Verizon's proposed wideband testing charge here is not based on integrated testing functionality, which would not be efficient in a wholesale environment since CLECs provide their own DSLAMs.

^{239/} This issue is discussed at pages 142-44 of VZ-VA Ex. 107 and 128-29 of the Ex. 124.

Such testing was actually demanded by CLECs, and this Commission applauded the New York Public Service Commission's initiatives regarding such testing.^{240/}

Nonetheless, AT&T/WorldCom now propose that Verizon VA should bear its cooperative testing costs. (See AT&T/WCom Ex. 13 at 139-40.) This proposal makes no economic sense. The CLEC is unquestionably the cost causer since such testing is performed only at the request of a CLEC and goes beyond what Verizon would normally do. Furthermore, CLECs can install their own testing capability and render cooperative testing by Verizon unnecessary. As a result, requiring Verizon to bear a share of the cooperative testing cost would create an economically perverse incentive for CLECs *not* to install their own capability even when it would otherwise be efficient to do so simply because the CLEC would rather share the cost with Verizon VA.

E. Verizon VA's Splitter-Related Costs Are Appropriate.

Verizon's studies consider two separate line sharing scenarios that were developed in the line sharing collaborative process.^{241/} In the first, the splitter is located in the CLEC's collocation space in Verizon's central office ("Scenario A"); in the second, it is mounted on a relay rack located in Verizon's central office space ("Scenario C"). (VZ-VA Ex. 107 at 153-54.) Verizon VA's studies produce rates in this proceeding for splitter installation and equipment support and splitter administration and support. AT&T/WorldCom's criticisms of the underlying costs are unavailing.

^{240/} See, e.g., *Pennsylvania § 271 Order* at ¶ 84 (rejecting CLEC's claim that Verizon failed to conduct *enough* cooperative testing); *New York § 271 Order* at ¶ 319 (discussing NY collaborative).

^{241/} This issue is discussed in VZ-VA Ex. 107 at 153-59 and VZ-VA Ex. 124 at 119-27.

1. The Commission Has Already Rejected AT&T/WorldCom's Assumption that Splitters Should Always Be Mounted on the CO Frame.

In an effort to reduce splitter and line sharing charges, AT&T/WorldCom propose that the Commission assume that splitters will always be mounted at or near the MDF.

(AT&T/WCom Ex. 13 at 122-23.) However, this proposal has already been rejected by the Commission and is in any event unworkable and inefficient.

In its *Line Sharing Order*, the Commission specifically recognized the possibility that the splitter would *not* be located within the frame, stating that in such cases “we would expect the states to allow the incumbent LEC to adjust the charge for cross-connecting the competitive LEC’s xDSL equipment to the incumbent LECs’ facilities to reflect any cost differences arising from the different location of the splitter, compared to the MDF.”^{242/} More recently, the Commission specifically affirmed the right of an incumbent LEC to “decide where collocated equipment will be placed within its premises as long as the incumbent acts reasonably and nondiscriminatorily.”^{243/} As the Commission explained:

In recognition of the incumbent’s right to use and manage its own property, we find that each incumbent should maintain ultimate responsibility for assigning collocation space within its premises. . . . Ultimately, it is the incumbent who will be responsible for planning and maintaining the premises for the benefit of all users — the incumbent, its affiliates and subsidiaries, and other collocators.^{244/}

^{242/} *Line Sharing Order* at ¶ 145.

^{243/} Fourth Report and Order, *Deployment of Wireline Services Offering Advanced Telecommunications Capability*, 16 FCC Rcd 15435, 15436 ¶ 2 (rel: Aug. 8, 2001).

^{244/} *Id.* at 15480-81 ¶¶ 90, 91. The Commission made this determination on remand from the D.C. Circuit, which had vacated Commission rules that would have given CLECs the right to

Moreover, contrary to AT&T/WorldCom's claims, frame-mounted splitters are not currently workable in a central office environment. In many central offices, it would not be technically feasible to put all CLECs' splitters on the main distributing frame. Given limited capacity at the MDFs, congestion would force Verizon VA to deny space to some CLECs. In addition, adopting frame-mounted splitters as a standard design would preclude Verizon VA from maximizing space and efficiency in its central offices. The frame-mounted splitters may take up to five times more of the amount of space that rack-mounted splitters would occupy. The existence of finite amounts of space in central offices, and the existence of numerous conflicting demands for that space, including requests for collocation, is a reality that simply cannot be ignored in a forward-looking study. (VZ-VA Ex. 124 at 119-20.)

2. Verizon VA's Splitter Installation and Equipment Support Costs for Scenario C Are Reasonable.

Verizon VA's proposed rate for a CLEC that chooses to have Verizon VA install a splitter on the CLEC's behalf is reasonable and well-supported. Verizon VA used the same method it has used to develop installation costs for other investments by applying an EF&I factor to the material cost of the equipment, which in this case is the splitter. (VZ-VA Ex. 107 at 156-

designate where equipment can be collocated in an ILEC's central office. The court had concluded that the ILEC, not a CLEC, has the right to make that determination:

It is one thing to say the [incumbent] LECs are forbidden from imposing unreasonable minimum space requirements on competitors; it is quite another thing, however, to say that competitors, over the objection of [incumbent] LEC property owners, are free to pick and choose preferred space on the [incumbent] LEC's premises, subject only to only technical feasibility. There is nothing in Section 251(c)(6) that endorses this approach.

GTE Servs. Corp. v. FCC, 205 F.3d 416, 426 (D.C. Cir. 2000).

58; VZ-VA Ex. 124 at 122.) Verizon VA's equipment support costs are similarly supported by the record. Petitioners' objections to this approach are unavailing.

AT&T/WorldCom incorrectly assume that EF&I costs are limited to physical installation work.^{245/} Their repeated portrayal of the installation effort as being limited to the simple placement of a shelf on a relay rack and the sliding in of line cards is a blatant misrepresentation of the work activities required. Indeed, Petitioners' assertions may reflect the fact that they simply have no experience with splitter installation procedures; as AT&T has conceded, it "has not installed or purchases any splitters in Virginia." (VZ-VA Ex. 124, Attachment F.) In point of fact, the EF&I costs for splitters also include activities such as planning and engineering of the installation job and testing of the installed equipment, costs that Petitioners simply ignore. (See VZ-VA Ex. 107 at 156-58; VZ-VA Ex. 124 at 121.)

AT&T/WorldCom failed to produce any evidence, such as vendor invoices from their own splitter installations, to rebut Verizon VA's costs.^{246/} By contrast, Verizon VA produced quotes from two outside vendors that confirmed the reasonableness of Verizon's estimate (see Ex. 107 at 158; VZ-VA Ex. 124 at 123 and Attachment B.) Ultimately, if AT&T/WorldCom believe that installation can be done less expensively, they are free to hire a vendor directly, and

^{245/} AT&T/WorldCom also question Verizon VA's use of the Digital Circuit Equipment classification for splitters. The Digital Circuit Equipment (or the pair gain equipment) account includes electrical equipment that can provide multiple loops. Because splitters serve more than one circuit, they are most naturally grouped in this category. (See VZ-VA Ex. 124 at 122.)

^{246/} Indeed, AT&T has conceded that it "has not installed or purchased any splitters in Virginia." AT&T Response to VZ-VA 2-10 (attached to VZ-VA Ex. 124, Attachment F). Despite a request by Verizon VA, AT&T/WorldCom did not produce any information on charges that they pay to carriers or vendors in any other jurisdiction. See AT&T/WorldCom Response to VZ-VA 13-107 (attached to VZ-VA Ex. 124 at Attachment F).

avoid Verizon VA's non-recurring charges. But they have provided no evidence undercutting Verizon VA's cost estimate.

Verizon VA's splitter equipment support charges are also reasonable. AT&T/WorldCom suggest that the charge is inappropriate because a splitter has no active electronic components and requires only an hour of maintenance per year. But they offer no basis for their position other than the assertion that the splitter "is a passive device." (AT&T/WCom Ex. 13 at 135.) In fact, splitter maintenance involves three separate functions: replacement of the splitter card and obtaining a new spare when necessary; joint testing of the card; and maintenance and return of the defective card. (VZ-VA Ex. 124 at 127.) Verizon VA's charge accounts for the costs involved with these activities.

F. Verizon VA's Line Sharing OSS Costs Are Fully Supported and Appropriate.

Verizon VA proposes a per-line recurring rate that will be charged to each line sharing line ordered by a CLEC.^{247/} The OSS costs include the amortization of one-time expenses in connection with the required Telcordia-provided OSS software for line sharing (and its associated installation and testing), which was necessary to enhance Verizon VA's inventory systems to recognize line sharing. (VZ-VA Ex. 107 at 146.) The line sharing OSS costs were divided into three categories: (1) those to be shared between line sharing and line splitting; (2) those to be shared among line sharing, line splitting, and subloop unbundling; and (3) those related to internal ordering and billing OSS that are shared by line splitting and line sharing. (VZ-VA Ex. 124 at 111-12.) Rather than raise any substantive challenge to Verizon VA's cost

^{247/} This issue is discussed at pages 146-49 of VZ-VA Ex. 107 and 111-18 of VZ-VA Ex. 124.

study, AT&T/WorldCom simply assert that Verizon VA's information is "insufficient." (See AT&T/WCom Ex. 13 at 115.) Verizon VA's proposed line sharing OSS costs are fully supported by the record, and AT&T/WorldCom's baseless attacks should be dismissed.

G. Verizon VA's Proposed ISDN Electronics Costs Are Appropriately Recovered As A Non-Recurring Charge.

Verizon VA's estimate of non-recurring costs for ISDN extension electronics is reasonable.^{248/} Verizon VA's existing wholesale rate for ISDN-BRI-compatible loops is limited to loops 18,000 feet or less in length. When a CLEC orders an ISDN-BRI-compatible loop and the metallic loop length is greater than 18,000 feet, additional electronics must be added to the loop. (VZ-VA Ex. 107 at 162.) The proposed charge recovers the cost of the necessary electronics investment and installation. Contrary to AT&T/WorldCom's assertion, Verizon VA is entitled to recover this cost as a non-recurring charge. The electronics at issue are dedicated to the CLEC requesting their installation, and, as the Commission has held in similar circumstances, "[t]o the extent that the equipment needed for expanded interconnection service is dedicated to a particular interconnector, we believe that requiring the interconnector to pay the full cost of the equipment up front is reasonable . . . regardless of whether the equipment might be reusable."^{249/} Recovering these costs on a non-recurring basis is particularly appropriate because low customer demand and significant customer churn away from ISDN and toward xDSL-based services mean that Verizon VA is unlikely to be able to recover its costs on a recurring basis. (VZ-VA Ex. 124 at 154-55.) Finally, CLECs can avoid this optional cost by

^{248/} This issue is discussed in VZ-VA Ex. 107 at 162-64; VZ-VA Ex. 124 at 154-55.

^{249/} Second Report and Order, *Local Exchange Carriers' Rates, Terms and Conditions for Expanded Interconnection through Physical Collocation for Special Access and Switched Transport*, 12 FCC Rcd 18730 ¶ 33 (1997) ("Collocation Order").

purchasing and installing repeaters themselves in their collocation cages and/or at the customers' premises. (VZ-VA Ex. 124 at 154-55.)

VIII. VERIZON VA'S RESALE DISCOUNT STUDY.

A. Verizon VA's Approach to the Resale Discount Is the Only One That Complies with the Law.

Verizon VA's retail avoided cost study complies with the section 252(d)(3) of the Act's resale discount standard articulated by the Eighth Circuit in its decision vacating the FCC's existing rules.^{250/} The current discount rate does not. Specifically, Verizon VA's proposed resale discount is based on the retail costs that it will *actually avoid* when it provides a service to a CLEC on a wholesale basis for resale, rather than directly to end-users on a retail basis.^{251/} There is no question that this is the correct standard. In vacating the Commission's implementing rules, the Eighth Circuit found that in section 252(d)(3), "the phrase 'will be avoided' refers to those costs that the ILEC will actually avoid incurring in the future, because of its wholesale efforts, not costs that 'can be avoided.'"^{252/} The court specifically rejected the Commission's hypothetically-avoidable-cost rule, which is the rule that the Virginia commission relied upon in deciding the resale discount that remains in effect pending the outcome of these proceedings. Unlike the Commission's TELRIC standard, the decision of the Eighth Circuit with respect to the resale discount is not the subject of further review by the Supreme Court.

^{250/} See *Iowa Utils. Bd. v. FCC*, 219 F.3d 744, 755 (8th Cir. 2000), *cert. granted sub nom.*, *Verizon Communications, Inc. v. FCC*, 121 S. Ct. 871 (2001).

^{251/} The resale discount is addressed in VZ-VA Ex. 107 at 337-38 and VZ-VA Ex. 121 at 1-4.

^{252/} *Iowa Utils. Bd.* at 755.

Nonetheless, AT&T^{253/} argues that the Commission should delay any decision (and, of course, maintain the existing, higher resale discount rate) until the agency at some point in the future promulgates revised rules for calculating the discount.^{254/} In support of its novel proposal that the Commission enforce an invalidated legal rule, AT&T provides no legal rationale. Nor, given the Eighth Circuit's strong statement concerning the plain language of the statute and the absence of any appeal of that specific ruling, could any such legal rationale exist. As the Eighth Circuit found,

The language of the statute is clear. Wholesale rates shall exclude "costs that will be avoided by the local exchange carrier." 47 U.S.C. § 252(d)(3). The plain meaning of the statute is that costs that are actually avoided, not those that could be or might be avoided, should be excluded from the wholesale rates.^{255/}

No ambiguity remains to be clarified. The Commission may choose in the future to issue new rules interpreting section 252(d)(3.) But at this point, the question is whether, pending the issuance of any new rules, it would be appropriate to require Verizon VA to continue providing services at a resale rate that was calculated in a manner that the Eighth Circuit has expressly concluded understates the costs that Verizon VA is entitled to recover. The answer clearly is no.

^{253/} Mr. Kirchberger, the witness that testified against Verizon VA's resale discount, was sponsored solely by AT&T.

^{254/} AT&T's argument for indefinite delay pending a proceeding that has not even been established rings hollow in light of AT&T's and WorldCom's arguments concerning metrics and performance remedies. For those issues, AT&T and WorldCom claim that they have a "right" to have this Commission arbitrate every issue they have raised, even though the Virginia Commission has active proceedings on both issues that are in the comment stage. *See* WorldCom's Opposition to Verizon's Motion to Dismiss or, in the Alternative, to Defer Consideration of Certain Issues, CC Docket No. 00-218, at 17-19, (July 9, 2001).

^{255/} *Iowa Utils. Bd.*, 219 F.3d at 755.

Rather than await adoption of rules in an as-yet unscheduled rulemaking, Verizon VA has taken the only sensible approach that has been presented in these proceedings and that complies with existing law. Verizon VA determined an appropriate resale discount based on a plain reading of the statute and the Eighth Circuit's opinion. Verizon VA performed a study to identify the costs it actually avoids when it provides a service at wholesale to resellers rather than at retail to end-users and used those avoided costs to calculate the new resale discount in its study. Verizon VA's analysis of those costs also followed another principle articulated by the Eighth Circuit — that the identification of retail-avoided costs should recognize that the ILEC will not solely be a wholesale provider, but will continue to offer services on a retail basis to end users.^{256/}

AT&T offers no principled counterproposal to, or critique of, Verizon VA's resale discount study. In fact, AT&T's witness Mr. Kirchberger was unable or unwilling even to concede that the Eighth Circuit's ruling would, necessarily, lead to a lower discount (and more unavoided costs) than the pre-Eighth Circuit "avoidable" standard. Indeed, Commission staff specifically asked whether he was "making any distinction between the old standard and the new standard? And if so, what is it?" (Tr. at 3745.) Mr. Kirchberger simply could not answer; he stated only that AT&T had not done a study.^{257/} AT&T's arguments that Verizon VA's proposed resale discount does not comply with the law cannot be credited.

^{256/} *Id.*

^{257/} Verizon VA, in contrast, has submitted data in response to a Commission record request that demonstrates the differences in the avoided cost percentages when the prior resale discount methodology is used and when the current "actually avoided" cost approach is used. That data shows, among other things, a large difference between Verizon's current avoided cost study and its 1996 avoided cost study filing (and the Virginia Commission resale order) with respect to indirect expenses. In the current study, Verizon VA determined that few indirect expense

B. Verizon VA's Resale Discount Was Accurately Calculated to Reflect Avoided Costs.

Verizon VA's proposed resale discount complies with the language of section 252(d)(3), as interpreted by the Eighth Circuit,^{258/} and was accurately calculated based on a reliable identification of the "marketing, billing, collection, and other costs" that actually "will be avoided"^{259/} when Verizon VA's retail services are provided to CLECs for resale rather than provided directly to retail customers.^{260/}

Specifically, Verizon VA examined each function code associated with services available for resale to determine whether that function would be avoided if a customer were to receive service from a reseller.^{261/} (See VZ-VA Ex. 107 at 340, 342-62.) For example, Verizon VA determined that when a service is provided to a CLEC rather than an end-user, Verizon VA will avoid the customer accounting expenses associated with bill postage and billing and collection functions, as these functions would be performed directly by the CLEC rather than by Verizon VA. (See VZ-VA Ex. 107 at 347-48.) Similarly, Verizon VA determined that in a resale context

categories will actually be avoided as a result of a wholesale sale. (See VZ-VA Ex. 189.) This makes sense because Verizon VA is no longer required to assess costs as if it had exited the retail business entirely. Most of the indirect expenses simply do not decline as Verizon loses retail customers. Thus, these costs will not be avoided.

^{258/} These issues are addressed in VZ-VA Ex. 107 at 339-65 and VZ-VA Ex. 121 at 5-13.

^{259/} 47 U.S.C. § 252(d)(3).

^{260/} Verizon VA calculated the resale discount by dividing total avoided costs by the revenue from retail telecommunications services available for resale. (See VZ-VA Ex. 107 at 341, 362-64.)

^{261/} Verizon VA analyzed activities at the function-code level rather than relying on account-level data because account-level data are too general to permit an accurate determination of whether the costs contained therein are avoided. (See Tr. at 3727; VZ-VA Ex. 107 at 341-42.)

it would avoid the expenses associated with testing subscriber trouble reports (recorded in Account 6533 — Testing) because an end user customer's call reporting a trouble would go to the reseller rather than to Verizon VA. (See VZ-VA Ex. 107 at 354.)

While AT&T contends that “Verizon took . . . a position that’s very slightly to the right of Attila the Hun where they said that if there’s any chance that this can be both used for retail and wholesale, it’s not avoided,” (Tr. at 3741), AT&T provides precious few examples of such allegedly extreme positions, and the examples it does cite lack merit. For example, AT&T argues that Verizon VA will avoid advertising expenses when Verizon VA provides resale services and that advertising expenses thus should have been counted as avoided costs. (AT&T/WCom Ex. 10 at 9-10.) This argument assumes that Verizon VA will *decrease* its retail advertising expenses as a result of losing retail customers to resellers and thus will actually avoid some amount of advertising expense for each customer served by a reseller rather than by Verizon VA.^{262/} But this premise is incorrect, and in fact is contrary to AT&T’s own response to competition from MCI and Sprint in the long-distance market.^{263/} As Mr. Kirchberger acknowledged, as competition increases, a firm is likely to *increase*, not *decrease* its retail advertising to try to win back former customers (as well as maintain existing customers.)^{264/} In

^{262/} As noted above, the Eighth Circuit specifically held that the statute recognized that incumbents would continue to provide retail service, not just wholesale service — and that only those costs that were actually avoided by the company *as a whole* should be used to calculate the resale discount. Accordingly, to the extent that Verizon VA’s provision of a wholesale service did not decrease its retail advertising expenses, Verizon VA would not have to treat those expenses as avoided, even though they relate to retail service. See *Iowa Utils. Bd.*, 219 F.3d at 755.

^{263/} See VZ-VA Ex. 121 at 5-6; VZ-VA Ex. 122, Attachment A (AT&T/WorldCom Response to VZ-VA XIII-10).

^{264/} At the hearing, Mr. Kirchberger backed away from his claim on rebuttal that “a retailer faced with a 40% reduction in market share would likely decrease its retail advertising budget”

addition, retail advertising by Verizon VA benefits wholesale customers by stimulating demand for telecommunications services and products generally. (See VZ-VA Ex. 122 at 42-48; VZ-VA Ex. 121 at 5; Tr. at 3718-19.) Finally, as explained above in Part III, as the retail marketplace becomes more competitive, Verizon VA also likely will increase its wholesale advertising to capture (and maintain) wholesale customers.

AT&T also claims that Verizon VA's avoided cost study improperly fails to treat the expenses of providing operator services as avoided. (See AT&T/WCom Ex.10 at 18.) AT&T is wrong. As Verizon VA explained in its testimony, when a reseller decides not to use Verizon VA's operator services, it will not incur the charges for those services. The resale discount in that instance is already higher than the standard resale discount because both the costs and all revenues from operator services are excluded from the resale discount calculation, producing a higher percentage discount. To then deduct operator services costs yet again, as AT&T suggests, would produce "double-avoidance" of the costs for the CLEC — once by not paying the charge, and once for the improper removal of the costs from a base that already excludes them. (See VZ-VA Ex. 121 at 7-8),

AT&T's other scattered criticisms of the proposed resale discount are equally unavailing.^{265/} There simply is no basis in the record to reject Verizon VA's rate or to propose any adjustment to that rate, and the Commission should adopt it in these proceedings.

(AT&T/WCom Ex. 10 at 9), admitting that "probably AT&T's advertising expenses after 1984 skyrocketed once competition started." (Tr. at 3708.)

^{265/} For example, AT&T suggests that Verizon VA applied the avoided cost standard inconsistently by treating 100% of the costs in the Sales Expense account — which includes costs of developing customer-specific proposals — as avoided but not treating as avoided other costs for certain things that will be provided by resellers. In fact, Verizon VA *will not* avoid the costs of developing customer specific proposals, because it will still perform this activity in order

C. The Language of Section 252(d)(3) Cannot Be Disregarded in Pursuit of AT&T's Policy Aims.

Ultimately, lacking any principled critique of Verizon VA's avoided cost study, AT&T simply falls back on the argument that the resale discount must be higher in order to serve the apparently overriding policy goal of promoting resale-based competition.^{266/} (AT&T/WCom Ex. 10 at 2, 7-8.) AT&T does not even attempt to tie this argument to the language of section 252(d)(3) — nor could it. As noted above, section 252(d)(3) requires that the rate be determined by identifying which retail costs are actually avoided. In short, "Congress has directly spoken to the precise question at issue."^{267/} Even if the Commission were to credit AT&T's claim that resale competition is not widespread because the existing resale discount does not provide resellers a large enough profit margin — and there is no evidence to support that contention — that would not provide a lawful basis for ignoring the statutory standard and raising the resale

to compete with the CLEC. However, because Verizon VA could not identify and back out from the account the specific costs of customer-specific proposals, Verizon VA conservatively treated the entire account as avoided. (*See* VZ-VA Ex. 121 at 8.) Likewise, AT&T's claim that Verizon VA should have reduced its indirect costs related to information management (Account 6724) is incorrect. Verizon VA properly treated as avoided certain computer hardware expenses associated with the work of a specific functional group that is avoided. However, information management costs, which are related to databases and software applications used within Verizon VA's data centers, are not avoided simply because certain personnel are avoided. (*See* VZ-VA Ex. 121 at 10.)

^{266/} This issue is addressed in Verizon VA's written testimony in VZ-VA Ex. 121 at 3-4.

^{267/} *Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 842 (1984).

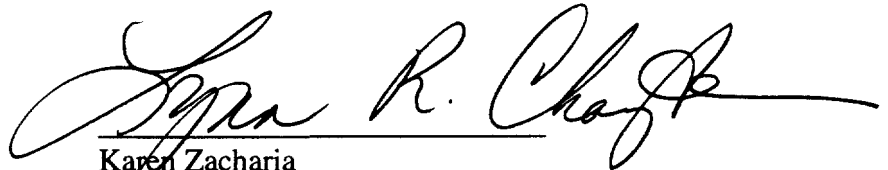
discount. “Regardless of how convincing the Commission’s policy rationales may be, the Commission is without authority to alter congressional mandates.”^{268/}

^{268/} *Southwestern Bell Corp. v. FCC*, 43 F.3d 1515, 1520 n.1 (D.C. Cir. 1995). In any event, the statute clearly does not guarantee the CLECs a certain level of profit for reselling ILEC services. “The purpose of the Act is to promote competition, not to favor one class of competitors at the expense of another.” *U.S. West Communications, Inc. v. Jennings*, 46 F. Supp. 2d 1004, 1021 (D. Ariz. 1999); *cf. Arkansas-Missouri § 271 Order* at ¶ 65 (“The Commission has repeatedly stated that incumbent LECs are not required, pursuant to the requirements of section 271, to guarantee competitors a certain profit margin.”).

IX. CONCLUSION

For the foregoing reasons, the Commission should (1) approve Verizon VA's cost study methodology and inputs, as well as the costs resulting from Verizon VA's studies; (2) reject the MSM and the costs proposed by AT&T/WCom; and (3) adopt the UNE rates produced by Verizon VA's studies in these proceedings.

Respectfully submitted,



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Dated: December 21, 2001

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GLOSSARY

ACF	Annual Cost Factor
ADM	Add-Drop Multiplexers
CAPM	Capital Asset Pricing Model
CC/BC	Current Cost to Book Cost [Ratio]
CLEC	Competitive Local Exchange Carrier
CO	Central Office
DA	Distribution Area
DCF	Discounted Cash Flow
DCPR	Detailed Continuing Property Record
DIP	Dedicated Inside Plant
DLC	Digital Loop Carrier
DSL	Digital Subscriber Line
DUF	Daily Usage File
EF&I	Engineer, Furnish & Install [factor]
FASB	Financial Accounting Standards Board
FLC	Forward-Looking-to-Current [factor]
GAAP	Generally Accepted Accounting Principles
GNP	Gross National Product
IDLC	Integrated Digital Loop Carrier
ILEC	Incumbent Local Exchange Carrier
IOF	Interoffice Facility
IS	Information Systems

ISDN	Integrated Services Digital Network
LCAM	Loop Cost Analysis Model
LEC	Local Exchange Carrier
LPDF	Low Profile Distribution Frames
MDF	Main Distribution Frame
MLAC	Mechanized Loop Assignment Center
MSM	Modified Synthesis Model
NERA	National Economic Research Associates
NID	Network Interface Device
NRC	Non-Recurring Cost
NRCM	Non-Recurring Cost Model
OSS	Operations Support Systems
POP	Point of Presence
RT	Remote Terminal
SAI	Serving Area Interface
SCIS	Switching Cost Information System
SME	Subject Matter Expert
SONET	Synchronous Optical Network
TELRIC	Total Element Long-Run Incremental Cost
TPI	Telephone Plant Index
UAA	Ultimate Allocation Area
UDLC	Universal Digital Loop Carrier
UNE	Unbundled Network Element

UNE-P	Unbundled Network Element-Platform
VRUC	Vintage Retirement Unit Cost
Y2K	Year 2000

VERIZON VA EXHIBIT LIST
CC Docket Nos. 218, 249 and 251

Exhibit No.	Description	Date Filed
100 Proprietary	Verizon VA's TELRIC Cost Studies	July 2, 2001
100 Public	Verizon VA's TELRIC Cost Studies	July 2, 2001
101	Direct Testimony: Dr. Howard Shelanski on Economic Foundations, And Attachment A	July 31, 2001
102	Direct Testimony: Dr. Kenneth Gordon on Economic Foundations, And Attachment A	July 31, 2001
103 Proprietary	Direct Testimony: Harold West III on Local Competition VA, And Attachments A 1-13	July 31, 2001
103 Public	Direct Testimony: Harold West III on Local Competition VA, And Attachments A 1-13	July 31, 2001
104	Direct Testimony: Dr. James Vander Weide on Cost of Capital, And Attachments A Through C	July 31, 2001
105	Direct Testimony: Dr. John Lacey on Depreciation, And Attachment A	July 31, 2001

Exhibit No.	Description	Date Filed
106	Direct Testimony: Dr. Allen Sovereign on Depreciation, And Attachment A	July 31, 2001
107 Proprietary	Direct Testimony: Verizon VA Inc. Panel Testimony on Unbundled Network Element and Interconnection Costs, Donald Albert, Ralph Curbelo, Joseph Gansert Nancy Matt, Louis Minion, Mike Peduto, Gary Sanford, John White, And Attachments A Through E	July 31, 2001
107 Public	Direct Testimony: Verizon VA Inc. Panel Testimony on Unbundled Network Element and Interconnection Costs, Donald Albert, Ralph Curbelo, Joseph Gansert Nancy Matt, Louis Minion, Mike Peduto, Gary Sanford, John White, And Attachments A Through E	July 31, 2001
108	Rebuttal Testimony: Dr. Timothy Tardiff on Critique of ATT/WCOM Recurring Model, And Attachments A Through B	August 27, 2001
109 Proprietary	Rebuttal Testimony: Francis Murphy, on Critique of ATT/WCOM Recurring Model, And Attachments 1 Through 4	August 27, 2001
109 Public	Rebuttal Testimony: Francis Murphy, on Critique of ATT/WCOM Recurring Model, And Attachments 1 Through 4	August 27, 2001

Exhibit No.	Description	Date Filed
110	Rebuttal Testimony: Dr. Howard Shelanski on Economic Foundations	August 27, 2001
111	Rebuttal Testimony: Dr. Jerry Hausman on Economic Foundations, And Attachment A	August 27, 2001
112	Rebuttal Testimony: Dr. James Vander Weide on Cost Capital	August 27, 2001
113 Proprietary	Rebuttal Testimony: Dr. John Lacey on Depreciation	August 27, 2001
113 Public	Rebuttal Testimony: Dr. John Lacey on Depreciation	August 27, 2001
114	Rebuttal Testimony: Allen Sovereign on Depreciation	August 27, 2001
115	Rebuttal Testimony: Harold West III on Rate Policy	August 27, 2001
116	Rebuttal Testimony: Ralph Curbelo, Carlo Peduto II & John White, on Critique of ATT/WCOM Non-Recurring Model, And Attachments A Through G	August 27, 2001
117	Surrebuttal Testimony: Drs. Howard Shelanski & Timothy Tardiff on Economic Foundations	September 21, 2001
118	Surrebuttal Testimony: Dr. James Vander Weide on Cost of Capital	September 21, 2001

Exhibit No.	Description	Date Filed
119	Surrebuttal Testimony: Dr. John Lacey on Depreciation	September 21, 2001
120	Surrebuttal Testimony: Allen Sovereign & Joseph Gansert on Depreciation	September 21, 2001
121 Proprietary	Surrebuttal Testimony: Louis Minion on Resale Discount, And Attachment A Through B	September 21, 2001
121 Public	Surrebuttal Testimony: Louis Minion on Resale Discount, And Attachment A Through B	September 21, 2001
122 Proprietary	Surrebuttal Testimony: Verizon VA Inc. Recurring Cost Panel, Joseph Gansert, Nancy Matt, Louis Minion & Gary Sanford, And Attachment A Through U	September 21, 2001
122 Public	Surrebuttal Testimony: Verizon VA Inc. Recurring Cost Panel, Joseph Gansert, Nancy Matt, Louis Minion & Gary Sanford, And Attachment A Through U	September 21, 2001
123 Proprietary	Surrebuttal Testimony: David Garfield on Use of SCIS Model	September 21, 2001
123 Public	Surrebuttal Testimony: David Garfield on Use of SCIS Model	September 21, 2001

Exhibit No.	Description	Date Filed
124 Proprietary	Surrebuttal Testimony: Verizon VA Inc. Non-Recurring Cost Panel, Ralph Curbelo, Louis Minion, Mike Peduto, John White & Gene Goldrick, And Attachments A Through G	September 21, 2001
124 Public	Surrebuttal Testimony: Verizon VA Inc. Non-Recurring Cost Panel, Ralph Curbelo, Louis Minion, Mike Peduto, John White & Gene Goldrick, And Attachments A Through G	September 21, 2001
125 Proprietary	Supplemental Surrebuttal Testimony: Nancy Matt on Cost Studies, And Attachments A Through G (With Attachment B 1-4)	October 18, 2001
125 Public	Supplemental Surrebuttal Testimony: Nancy Matt on Cost Studies, And Attachments A Through G (With Attachment B 1-4)	October 18, 2001

VERIZON EXHIBITS

VZ-VA FCC ARB

Docket Nos.

00-218, 00-249 & 00-251

VERIZON

Tab	Exhibit Nos.	Description
1	59	Chart
2	126	Letting Go: Deregulating The Process of Deregulation
3	127	AT&T/WCOM's Response to VZ-VA XIII-84
4	128	AT&T/WCOM's Response to VZ-VA XIII-80
5	129	Puerto Rico Tel. Co. (excerpts) (not admitted)
6	130	Puerto Rico Tel. Co. (not admitted)
7	131	APB Accounting Principles
8	132	Statement of Position: Recession of Accounting Principles Board Statements, March 19, 1993
9	133	Original Pronouncements
10	134	Graph drawn by Lacey
11	135	Telephone Holding Companies Chart
12	136	Hearing Transcript: Virginia PUC No. 970005, June 20, 1997
13	137	Excerpt from AT&T/WorldCom Response VII-2
14	138	Iowa Utilities Board v. FCC, July 18, 2000
15	139	Errata to Exhibits 100 and 107
16	140	Errata to Exhibit 100 (DUFF)

17	141	Errata to Murphy Rebuttal (Exhibit 109) (not admitted)
18	142	Updated Calculation in Murphy Rebuttal (not admitted)
19	143	Errata to Tardiff Rebuttal (Exhibit 108) (not admitted)
20	144	Gansert Drawing
21	145	AT&T/WCom's Response to VZ's Discovery Request #14-87
22	146	AT&T Response to 9-22
23	147	AT&T Response to 9-25
24	148	AT&T Response to 3-41
25	149	AT&T Response to 3-43
26	150	Surrebuttal of Pitkin - Unit Costs Workpapers
27	151	Surrebuttal of Pitkin - Cluster Workpapers
28	152	Surrebuttal of Pitkin - Distribution Output Workpapers
29	153	Surrebuttal Errata
30	154	Updated Calculations of Tardiff's Rebuttal (not admitted)
31	155	GR-303 System Deployment Issues
32	156	Alcatel Letter
33	157	Telcordia Website
34	158	New Jersey Transcript
35	159	Errata of TELRIC Cost Studies
36	160	Errata to NRC Panel Surrebuttal
37	161	Nancy Matt Supplemental Testimony of November 2, 2001
38	162	Tardiff Supplemental Testimony
39	163	Murphy Supplemental Rebuttal Testimony
40	164	Errata of Murphy Supplemental Rebuttal Testimony
41	165	Errata to Tardiff Supplemental Testimony
42	166	Errata on the Direct Testimony of the Recurring Cost Panel
43	167	Errata on the Surrebuttal Testimony of the Recurring Cost Panel

44	168	Errata on the Supplemental Surrebuttal Testimony of Nancy Matt
45	169	Errata on the Second Supplemental Surrebuttal Testimony of Nancy Matt
46	170	Tardiff Updated Calculations
47	171	Murphy Updated Calculations
48	172	Verizon VA's Errata on the Rebuttal Testimony of Harold West
49	173	Second Supplemental Reply of VZ VA Response to AT&T WorldCom Set 13-7
50	174	Supplemental Reply of VZ VA Response to AT&T WorldCom Set 12-27
51	175	AT&T and WorldCom's Response to Verizon Virginia's Fourteenth Set of Data Requests XIV-110
52	176	AT&T and WorldCom's Response to Verizon Virginia's Fourteenth Set of Data Requests XIV-111
53	177	AT&T and WorldCom's Response to Verizon Virginia's Fourteenth Set of Data Requests XIV-112
54	178	AT&T and WorldCom's Response to Verizon Virginia's Fourteenth Set of Data Requests XIV-127
55	179	Errata to Recurring Cost Panel Surrebuttal on Behalf of Verizon Virginia
56	180	Errata to Exhibit 100 (Parts C-9 and C-10) plus Attachments

AT&T/WORLDCOM EXHIBITS RECEIVED IN EVIDENCE
(CC Docket Nos. 218, 249 and 251)

Direct Testimony of Brian Pitkin	July 31, 2001	AT&T/WorldCom Exhibit 1
Direct Testimony of Richard Walsh	July 31, 2001	AT&T/WorldCom Exhibit 2
Direct Testimony of Richard Lee	July 31, 2001	AT&T/WorldCom Exhibit 3
Direct Testimony of Catherine Pitts	July 31, 2001	AT&T/WorldCom Exhibit 4
Direct Testimony of John Hirshleifer	July 31, 2001	AT&T/WorldCom Exhibit 5
Direct Testimony of Joseph Riolo	July 31, 2001	AT&T/WorldCom Exhibit 6
Direct Testimony of Steven Turner	July 31, 2001	AT&T/WorldCom Exhibit 7
Direct Testimony of Terry Murray	July 31, 2001	AT&T/WorldCom Exhibit 8
Rebuttal Testimony of Richard Lee	August 27, 2001	AT&T/WorldCom Exhibit 9
Rebuttal Testimony of John Hirshleifer	August 27, 2001	AT&T/WorldCom Exhibit 10
Rebuttal Testimony of Terry Murray – Public Version	August 27, 2001	AT&T/WorldCom Exhibit 11
Rebuttal Testimony of Terry Murray – Proprietary Version	August 27, 2001	AT&T/WorldCom Exhibit 11P
Rebuttal Testimony of Michael R. Baranowski, Terry L. Murray, Catherine E. Pitts, Joseph P. Riolo and Steven Turner – Public Version	August 27, 2001	AT&T/WorldCom Exhibit 12
Rebuttal Testimony of Michael R. Baranowski, Terry L. Murray, Catherine E. Pitts, Joseph P. Riolo and Steven Turner – Proprietary Version	August 27, 2001	AT&T/WorldCom Exhibit 12P
Panel Reply Testimony On Non-Recurring Costs and Advanced Data Services (Terry L. Murray, Richard J. Walsh and Joseph P. Riolo) – Public Version	August 27, 2001	AT&T/WorldCom Exhibit 13
Panel Reply Testimony On Non-Recurring Costs and Advanced Data Services (Terry L. Murray, Richard J. Walsh and Joseph P. Riolo) – Proprietary Version	August 27, 2001	AT&T/WorldCom Exhibit 13P
Surrebuttal Testimony of Brian Pitkin – Public Version	September 21, 2001	AT&T/WorldCom Exhibit 14
Surrebuttal Testimony of Brian Pitkin – Proprietary Version	September 21, 2001	AT&T/WorldCom Exhibit 14P
Surrebuttal Testimony of Michael Baranowski – Public Version	September 21, 2001	AT&T/WorldCom Exhibit 15
Surrebuttal Testimony of Michael Baranowski – Proprietary Version	September 21, 2001	AT&T/WorldCom Exhibit 15P
Surrebuttal Testimony of Catherine Pitts	September 21, 2001	AT&T/WorldCom Exhibit 16
Surrebuttal Testimony of John Hirshleifer	September 21, 2001	AT&T/WorldCom Exhibit 17
Surrebuttal Testimony of Joseph Riolo – Public Version	September 21, 2001	AT&T/WorldCom Exhibit 18
Surrebuttal Testimony of Joseph Riolo – Proprietary Version	September 21, 2001	AT&T/WorldCom Exhibit 18P

<u>DESCRIPTION OF DOCUMENT</u>	<u>DATE FILED</u>	<u>EXHIBIT NO.</u>
Surrebuttal Testimony of Steven Turner – Public Version	September 21, 2001	AT&T/WorldCom Exhibit 19
Surrebuttal Testimony of Steven Turner – Proprietary Version	September 21, 2001	AT&T/WorldCom Exhibit 19P
Surrebuttal Testimony of Terry Murray	September 21, 2001	AT&T/WorldCom Exhibit 20
Panel Testimony on Non-Recurring Costs and Advanced Data Services (Richard Walsh and Terry Murray) – Public Version	September 21, 2001	AT&T/WorldCom Exhibit 21
Panel Testimony on Non-Recurring Costs and Advanced Data Services (Richard Walsh and Terry Murray) – Proprietary Version	September 21, 2001	AT&T/WorldCom Exhibit 21P
Surrebuttal Testimony of Richard Lee	September 21, 2001	AT&T/WorldCom Exhibit 22
AT&T/WorldCom Recurring and Non-Recurring Cost Models	July 2, 2001	AT&T/WorldCom Exhibit 23

OPPOSING EXHIBITS

VZ-VA FCC ARB

Docket Nos.

00-218, 00-249 & 00-251

AT&T

Tab	Exhibit No.	Description
1	100	Economics of Regulation: Principles and Institutions (excerpts)
2	101	Deleware P.S.C. Hearing Docket No. 96-324
3	102	Excerpt From NJ Proceedings
4	103	FCC Reply Brief to the Supreme Court: <i>Verizon vs. Federal Communications Commission</i> , July, 2001
5	104	Errata to Testimony on Behalf of AT&T and WORLDCOM
6	105	Verizon Response to AT&T/WCom 10-2
7	106	Statement of Financial Accounting Concepts No. 2
8	107	Drawing by Levy for AT&T
9	108	The Value Line Investment Survey, Edition 5
10	109	Dr. Vander Weide's "Investor Growth Expectations" in The Journal of Portfolio Management
11	110	NJ Hearing Transcript, vol. 2, Nov 29, 2000
12	111	ALL TEL CORP Form S-4 Filing
13	112	Verizon Response to AT&T/WCom 1-34
14	113	Definitions List Included in Verizon Interrogatories

15	114	VZ Loop Cost Analysis Model/Loop Study Cost Results Summary
16	115	VZ Loop Cost Analysis Model/Engineering Survey with updated Working and Available
17	116	VZ Loop Cost Analysis Model/Operational Documentation
18	117	GTE Planning Analysis Report
19	118	Verizon Response to AT&T/WCom 10-28
20	119	Verizon Response to AT&T/WCom 10-33
21	120	NYNEX Technichal Document #RL 96-04-005 Unbundling Loops in TSI Equipped Digital Loop Carrier Systems
22	121	Bell Atlantic Fundamental Planning Guideline
23	122	Telcordia Notes on the Networks Section 12
24	123	Time Slot Interchange Applications in Remote Digital Terminals
25	124	NYNEX Technichal Document #RL 96-06-001 Loop Technologies Application Guidelines
26	125	Annual Cost Factor - Loop - BA South
27	126	Verizon Response to AT&T 10-33
28	127	Support Document to VZ Response to AT&T 10-33 BA Unbundled Digital Loop Technical Specifications
29	128	Riolo's Drawing
30	129	Pitkin's Chart on Line Counts
31	130	Cost of Network Elements (not admitted)
32	131	Riolo's Drawing (Needs to be reduced)
33	132	Verizon DCPR Data for Virginia - Proprietary
34	133	Regional EFI Analysis for Virginia - Proprietary
35	134	Verizon Response to ATT/WC 6-25
36	135	Verizon Response to ATT/WC 6-27

37	136	Email Regarding Surveys
38	137	Verizon Response to AT&T/WCom 9-3
39	138	Verizon Response to AT&T/WCom 9-7
40	139	Verizon Response to AT&T/WCom 9-6
41	140	Verizon Response to AT&T/WCom 7-6 and Attachment: Verizon Plan of Record
42	141	Errata to Cost Panel Rebuttal
43	142	Data Request Response 12-43
44	143	Data Request Response 12-39
45	144	Response to AT&T/WCom Data Request 37
46	145	Response to AT&T/WCom Data Request 37
47	146	Response to AT&T/WCom Data Request 9-33
48	147	Response to AT&T/WCom Data Request 9-34
49	148	Response to AT&T/WCom Data Request 9-35
50	149	Common Transport Summary of Costs
51	150	Chart of Ports available for Transit

OPPOSING EXHIBITS

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WORLDCOM

Tab	Exhibit No.	Description
1	101	Supreme Court Respondent Brief, June 8, 2001
2	102	VZ- VA Response 11-73
3	103	Reply Affidavit by Professor Jerry Hausman
4	104	The Effect of Sunk Costs in Telecommunications Regulation by Jerry Hausman
5	105	FLC Factor Calculations of Marc Goldman
6	106	Annual Cost Factor Loop Spreadsheet #8 - Proprietary
7	107	Annual Cost Factor Loop Spreadsheet #3 - Proprietary
8	108	Bell Atlantic Labor Productivity Growth Chart
9	109	Estimate Authorization No. 3425 - Proprietary
10	110	Estimate Authorization No. 3433 - Proprietary
11	111	Estimate Authorization No. 3455 - Proprietary
12	112	Information Management Account 6724-1999
13	113	Development of Wholesale Overhead Loading (Recurring) Workpaper
14	114	Verizon Hawaii Inc. Opening Brief & Cert. Of Service
15	115	Verizon Response to AT&T/WCOM 11-67
16	116	US West GR-303 Deployment and Loop Unbundling

17	117	SBC GR-303 Deployment Issues and ILEC Perspective
18	118	BA Loop Unbundling with a GR-303 Platform
19	119	BA Network Planning Guideline April, 1999
20	120	VZ Network Planning Guideline November 2000
21	121	Transcript of TX PUC Workshop 9-14-2000
22	122	California PUC Opinion of September 7, 2000
23	123	California PUC Opinion of September 20, 2001